

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P. O. BOX 942850
Sacramento, CA 94250-5878

DATE: October 9, 2017

PAYROLL LETTER #17-014

TO: All Agencies/Campuses in the Uniform State Payroll System

FROM: Debra Spellman, Chief
Personnel/Payroll Services Division

RE: SEPARATION PROCESS WITH LUMP SUM DEFERRAL

As the end of 2017 quickly approaches, the Personnel/Payroll Operations Bureau (PPOB) would like to remind agencies/campuses of the procedures and tools available for preparing the separation PAR/PPT and supporting documentation.

- The Savings Plus Lump Sum Separation Pay Deferral Election Form (Rev.4/16) states the employee **must** submit the form to their personnel office at least five working days **prior** to the employee's separation effective date [refer to CalHR PML 2016-018, California Labor Code (CLC) 201(b) and (c); and CLC 202(b) and (c)]. The State Controller's Office (SCO) and CalHR recommend agencies/campuses date stamp documents when received. Additionally, agencies/campuses should encourage employees to submit the necessary documentation 30 days in advance to allow time to verify calculations to lump sum and prepare the PAR/PPT. PPOB will cancel and return any PAR packages when the employee documentation does not meet the five day requirement.
- PPOB must receive the PAR/PPT no later than December 15, 2017 to ensure deferral amounts process timely for the 2017 tax year. For employees deferring into the 2018 tax year, PPOB must receive the second PAR/PPT no later than January 12, 2018 to ensure a Savings Plus account posting date of February 1, 2018. **Deferral amounts processed after these dates may result in charges assessed by CalHR on the agency/campus as stated in PML 2011-042.**
- Agencies/Campuses can key an S70 separation transaction completing Item 606 only to ensure regular pay issues timely. Subsequently, agencies/campuses need to submit a corrected PAR/PPT with supporting documentation to PPOB for Lump Sum Deferral processing. Please follow the instructions below for processing the corrected PAR/PPT.
- Please ensure PAR/PPT Item 10 remarks clearly states the Savings Plus, Savings Plus Roth, and/or Tax Shelter Annuity, 403(b) information.
- For those employees deferring into the next tax year, agencies/campuses **must** indicate a separation effective date of November 1, 2017 or later on the PAR/PPT. The employee's CalPERS retirement date should be November 2, 2017 or later. Employees with a CalPERS retirement date **before** November 2, 2017, **do not** qualify to defer into the 2018 tax year.

- For employees deferring into the next year:
 - On the original separation PAR/PPT, or corrected separation PAR/PPT if S70 already processed, Item 620 should show vacation/annual leave needed to cover the amount deferred to Savings Plus for the **2017 tax year** only.
 - Use Item 625 only after exhausting Item 620 and the employee requires using extra time, such as CTO, Holiday Pay, etc. to cover the requested deferral amount.
 - Ensure that Item 10 remarks clearly states the Savings Plus, Savings Plus Roth, and/or Tax Shelter Annuity, 403(b), information for 2017 tax year. This PAR/PPT must be submitted no later than December 15, 2017.
 - Submit the corrected separation PAR/PPT, or 2nd corrected separation PAR/PPT if S70 already processed, between January 1, 2018 and January 12, 2018 to ensure the 2018 deferral amount posts to the Savings Plus account(s) by February 1, 2018.
 - Item 620 should show the **total** vacation/annual leave paid and Item 625 should show the **total** extra time for both 2017 and 2018 tax years.
 - Ensure that Item 10 remarks clearly states the Savings Plus, Savings Plus Roth, and/or Tax Shelter Annuity, 403(b) information separately for both 2017 and 2018 tax years, if applicable.
- For employees claiming a tax exemption, it will expire on January 31, 2018. Any lump sum payment issuing beyond the January pay period will revert to “single” and “0”. Therefore, agencies/campuses **must** key an EAR transaction permanently exempting the employee from taxes to ensure lump sum payments after the January pay period issue correctly. To permanently exempt an employee from taxes, use the same procedures as the “deceased” employee EAR transaction in the PAM Section 10.16.1. PPOB recommends agencies/campuses key the permanent exemption EAR transaction prior to submitting the PAR/PPT and supporting documentation. **PPOB will not re-issue lump sum payments due to untimely or incorrect EAR transactions.**
- For employees participating in the Savings Plus “Catch-Up” program, **agencies/campuses must submit the Savings Plus Catch-Up approval letter with the PAR/PPT.** Please advise employees to complete the Traditional Catch-Up Application and submit it directly to Savings Plus. To access this form, the employee must log on to their Savings Plus account or call the Savings Plus Service Center at (855) 616-4776.
- As stated above, PPOB recommends mailing the PAR/PPT as early as possible. However, agencies/campuses located in the Sacramento area can hand-carry the PAR/PPT and supporting documents to PPOB. The receptionist window is located on the 10th Floor at 300 Capitol Mall. Please provide a contact name and phone number as well as an alternate contact on the PAR/PPT so that we may contact you as needed. **Please do not call to verify that PPOB received your PAR/PPT package.**
- Agencies/Campuses outside of the Sacramento area can fax one copy of the PAR/PPT and supporting documents to PPOB. Include item 10 remarks on the fax cover sheet and do not reduce the size of the original documents, as data may be too small to read. **Please do not call to verify that PPOB received your fax.** Include an agency/campus contact name and complete telephone number including extension and **identify an alternate contact** on the fax cover page.

PPOB will communicate with the agency/campus contact or the alternate contact as needed.
Fax the documents to (916) 322-8137.

- PPOB will attempt to contact the agency/campus contact or alternate contact regarding PAR/PPT errors. However, if PPOB does not receive a response by close of business (COB) the following working day, the PAR/PPT will be cancelled and returned. For example, if PPOB leaves a voicemail message on Friday and does not receive a response from the agency by Monday COB, PPOB will cancel the PAR/PPT and return it to the agency/campus contact.
- CalHR's website provides a Lump Sum Calculator to assist agencies/campuses in calculating and running out leave time for employees separating from state service.
- PPOB would also like to remind agencies/campuses to zero out balances on the California Leave Accounting System (CLAS), to accurately reflect the separated employee's leave balances.
- Agencies/Campuses should cancel direct deposit for all separating employees or PPOB will administratively cancel direct deposit. This enables the agency/campus to submit documents to PPOB early, allowing time to process the requested action through the employment history and payroll systems, and leaving the agency/campus time to review and verify the payments issued correctly and the deductions were withheld. The agency/campus may then hold the warrant(s) until the employee's final day to release the payment(s) to the employee. Following these guidelines will allow for a much quicker turnaround for corrections, if necessary.
- **If PPOB correctly processed the document as requested by the employee, we will not reprocess the documents. Please provide the appropriate information to your employees to ensure they make a thoughtful decision regarding their options before submitting documents. Savings Plus provides a checklist to help employees with items they should consider when retiring.**

Below you will find several reference websites. If you need assistance with payroll related issues, please call PPSD Statewide Customer Contact Center at (916) 372-7200 to reach the Civil Service Payroll Liaison, Civil Service Personnel Liaison, or CSU Personnel Liaison. The SCO website contains a Statewide Customer Contact Center Tree Diagram to aid in directing callers to the appropriate area.

CalHR PML 2016-018: <http://www.calhr.ca.gov/PML%20Library/2016018.pdf>

CalHR PML 2011-042: <http://www.calhr.ca.gov/PML%20Library/2011042.pdf>

PAM Section 10: http://www.sco.ca.gov/Files-PPSD/pam_10_decentralized_procedures.pdf

Savings Plus Retirement Checklists:

https://www.savingsplusnow.com/iApp/tcm/savingsplusnow/learning/yourpath/retirement_is_near_you_feel_confident.jsp

https://www.savingsplusnow.com/iApp/tcm/savingsplusnow/learning/library/retirement_checklist.jsp

CalHR Lump Sum Calculator: <http://eservices.dpa.ca.gov/LumpSum/>

PPSD Statewide Contact Center Tree Diagram: http://www.sco.ca.gov/Files-PPSD/ACDCallTree_PWS.pdf